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SIPDIS

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DEPT FOR WHA, WHA/CAR, WHA/EPSC, EB/TPP/BTA-MANOQUE;  
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MAUREEN WAFER; USDOC FOR 4322/ITA/MAC/WH/CARIBBEAN  
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E.O.12958: N/A

TAGS: [ETRD](#) [PREL](#) [DR](#) [PGOV](#) [CAFTA](#)

SUBJECT: DOMINICAN REPUBLIC REACTS TO DR-CAFTA APPROVAL  
ON HILL

1. Summary: In the hours after the U.S. House of Representatives voted to approve DR-CAFTA implementing legislation, Dominican reactions indicate that the vote has dispelled any doubts about U.S. ability to implement DR-CAFTA and may have improved prospects for Dominican ratification. End summary.

2. Background note: For the past three weeks, Dominican private sector, labor, and civil society representatives have been negotiating a proposal on tax reforms that will be required to replace tax revenues lost under DR-CAFTA. Opposition politicians and some business interests have demanded that ratification of DR-CAFTA be linked to simultaneous passage of the reforms and compensatory measures to make national businesses more competitive. The tax talks have progressed, but the newly elected party president of the main opposition PRD, Senator Ramon Alburquerque, has taken a hard line on this linkage. A meeting of the PRD leadership on July 25 adopted his view as the party line. End note.

3. The mediator of the negotiations on tax reform and DR-CAFTA ratification, Monsignor Agripino Nunez, called DCM Kubiske to congratulate us on the House vote and say that DR-CAFTA will be good for both countries. He said that an agreed package on tax reform should be achievable by July 29, at least in broad outline. The DCM mentioned the desirability of DR-CAFTA ratification as soon as possible.

4. In another call to DCM, the chief of the Dominican DR-CAFTA negotiating team, former Secretary of Commerce Sonia Guzman, and former presidential trade advisor Carolina Mejia commended the "triumph" of the vote in the United States. They were "euphoric" that DR-CAFTA was moving forward, optimistic that Dominican ratification would be completed, and equally optimistic that in 10 years the Dominican Republic would be "a new country."

5. Senator Enriqueillo Reyes (PRD) asserted to political officers, "We will pass DR-CAFTA." Reyes, like Senate president Andres Bautista (PRD) but unlike Senator Alburquerque, wants to ratify now and then deal with the other, more time-consuming, proposals. Alburquerque and others are playing politics in advance of the May 2004 Congressional elections, said Reyes. He also believed that the razor-thin margin in the House of Representatives would help convince Dominicans that DR-CAFTA is not lopsidedly favorable to the United States - as critics have claimed -- but will have real benefits for the Dominican Republic.

6. In remarks to the afternoon press, Alburquerque - who has been increasingly criticized by Dominican commentators as the biggest roadblock on the road to ratification - used terms that were only slightly less obstinate than what he told the Ambassador over lunch on July 14. Alburquerque's bottom line was the same: DR-CAFTA ratification, compensatory measures for national business interests, and tax reform must proceed together. And the Fernandez administration must submit its own tax reform proposal for debate by the opposition (Comment: to share the political cost of raising taxes. End comment.).

7. Chamber of Deputies president Alfredo Pacheco (PRD), contacted by the DCM, said there had been progress in the direction of ratification (Comment: presumably on tax reform). Pacheco, who will shepherd ratification through the lower house of Congress, commented that with the favorable U.S. Congressional vote, "the Dominican people" will see things more clearly now and will move expeditiously toward ratifying DR-CAFTA. The

DCM mentioned that, with investors inclined to work with countries that have already ratified, the Dominican Congress might wish to conclude the matter promptly, consistent with the national interest. Pacheco agreed.

17. Dominican Ambassador to the United States Flavio Dario Espinal, in a phone interview with daily "El Caribe," commented that the U.S. approval of DR-CAFTA "opens a new scenario in our relations with the United States." To Espinal, the House vote "is a clarion call to our Congress to focus on ratification."

18. The local Coalition to Support DR-CAFTA, which includes the AmCham, issued a press release July 28 revising its earlier stance published the week of July 11, advocating action on tax reform and DR-CAFTA "on parallel tracks." Now, the Coalition "calls on the Dominican Congress to seize this important moment and act in the highest national interest approving the agreement as soon as possible. This action would show the Dominican Republic's commitment to integration in the global economy and "to economic and institutional reforms to establish a modern market economy under rule of law." The country, concluded the statement, "cannot delay this historic decision." The statement also called for "a framework of action" to strengthen the country's competitiveness in order to take advantage of the opportunities presented by DR-CAFTA.

KUBISKE